



North Carolina Department of Health and Human Services
Division of Budget and Analysis
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Michael F. Easley, Governor
Carmen Hooker Odom, Secretary

James B. Slate, Jr., Director

October 10, 2005

MEMORANDUM

TO: Division Directors
Office Directors

FROM: Jim Slate

SUBJECT: Allocation of Recurring Position Elimination Reserve

In Senate Bill 622, the Legislature effected a recurring budget reduction in DHHS of \$500,000. The Joint Conference Committee Report on Continuation, Expansion and Capital Budgets dated August 8th, provides some insight on how this funding is to be eliminated. The narrative for item 148 on page G-19 speaks to eliminating vacant or filled positions, reducing layers of management, and reducing related state administrative operating expenses throughout the Department of Health and Human Services. It also states that "No direct service positions are to be eliminated". This negative reserve was certified in the budget of Central Management and Support, budget code 14410. We need to proceed to eliminate this reserve.

The attached schedule presents the allocation of the \$500,000 negative reserve for the Department. The basis for the allocation is an annual report that Budget and Analysis in coordination with your division budget officer completes for OSBM and Fiscal Research as of December 1. This report requires an analysis of the positions in each of your funds and presents them as either receipts or appropriations supported with cost allocation position pro-rated. The FTE count of positions supported by appropriations was used as the allocation basis with the logic being that a state supported position's administrative cost would parallel the FTE count of appropriation supported positions. OES and DMH facilities operations are presented separately from divisional administrative operations for presentation purposes. These divisions may combine or adjust these amounts as needed to meet their divisional allocation.

The reductions allocated to each division are to be accomplished by eliminating non-direct service positions, reducing operating costs related to administrative operating expenses, or a combination of both. Reductions in operating costs could include salary reserve and related fringe benefits, office supplies, telephone expense, travel, equipment or other cost incurred related to the direct support of staff.

Please have your division budget officer initiate a type 11 budget revision transferring the funds as identified on the attached schedule to budget code 14410. These revisions should be a two year revision, will transfer appropriations by journal entry, and will be included in BPS in preparing the 2007-09 continuation

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budgets. CMS will do a budget revision eliminating its portion of the negative reserve as identified in the schedule and will budget the appropriation transfer from your divisions.

Please have these revisions submitted to this office by October 28, 2005.

Please contact your analyst in this office if you have questions.

JBSjr:gg

Attachment

cc: Carmen Hooker Odom
Allyn Guffey
Dan Stewart
Jackie Sheppard
Allen Dobson, MD

Daphne Lyon
Division Budget Officers
B&A Budget Analysts